



James
Joseph/Atty/DC/ArnoldAndPo
rter

03/30/2005 04:19 PM

To xAUBoard, "Gary Abramson" [REDACTED]

cc

bcc

Subject Notice re: Board meeting

George Collins ask me to send out a notice that he has called a phone meeting of the AU Board on Tuesday, April 12 at 8:00 am (with apologizes for the early time, especially for anyone not on the East Coast). This is for the Board to discuss and vote on the proposal made by the Compensation Committee at the last Board meeting and Dr. Ladner's response, which he circulated directly to the Board. I will circulate an agenda and the call-in information closer to April 12. Please RSVP to me so that we will know how many Board members will be able to participate in this meeting. Thank you.

Because the sole purpose of the meeting will be to discuss Dr. Ladner's compensation, George determined that Dr. Ladner should not participate in the meeting.

AUSF 000272



James
Joseph/Atty/DC/ArnoldAndPo
rter

03/31/2005 05:50 PM

To xAUBoard

cc

bcc

Subject Correspondence – Dr. Ladner

A number of Board members contacted me after my message yesterday to say that they had not seen Dr. Ladner's correspondence with me, which I understood he circulated directly to the Board on March 10 and which was referenced in my e-mail yesterday. Attached are copies of all the letters to and from George Collins/me and Dr. Ladner since the February 25 Board meeting.



- Correspondence Ladner (024196-1 03_31_2005 03_34_30 PM)(DC_1354163_1).PDF

AUSF 000273



AMERICAN UNIVERSITY

W A S H I N G T O N , D C

March 10, 2005

BENJAMIN LADNER
PRESIDENT

Mr. James P. Joseph
Arnold & Porter, LLP
[REDACTED]

Dear Mr. Joseph:

Due to my travel schedule, I have only recently received your letter of March 2, 2005, which you faxed to my office on the same day.

Although you have characterized your motive in writing to me as wanting "to make sure that there are no misunderstandings about any of the compensation issues," I'm afraid the content of your letter has only added to the confusion. I am glad for the opportunity to offer clarification regarding several significant misunderstandings.

You rightly noted that I had referred to you as a "consultant" to the Board, and in an effort to correct my "apparent misunderstanding regarding the role of Arnold & Porter" you stated that, "We are not acting as a consultant to the Board. We are counsel to the Board. . . ." Making this your first major point is itself revealing. However, you may or may not be aware that there was some discussion in the Board meeting about whether you should be appointed as counsel to the Board, and there was a general expectation that the question of your status would need to be resolved by the Board.

As confirmation of this, I received a March 8, 2005 email from Board Chair George Collins asserting his strong belief that the Board should appoint an outside counsel, and notifying me that he will put forward such a resolution for consideration by the Executive Committee and the Board. Mr. Collins' email says, "The Executive Committee is only the first step in retaining counsel, as I intend to seek Board approval as the first agenda item at the next meeting— or possibly sooner. . . ." If your effort to clear up my "misunderstanding" about your status is not misguided, it is certainly premature. Since the Board has not yet approved your status as counsel, and since you disavow the status of consultant, it is not clear in what capacity you are writing to me.

Your emphasis on "confidential attorney-client communications" with the Board is admirable, though it obviously does not extend to me. Although you indicated that you wish to "avoid some of the problems" of the compensation review over the last year, you have decided to continue a pattern of communication that has created major problems. Over the past year, the Compensation Committee and the previous consultant communicated primarily with my staff instead of with me about the specifics of my compensation and committee deliberations. In addition to the embarrassment this caused my staff and me when my confidential compensation arrangements were shared with my staff, it created a great deal of confusion and undermined staff, committee, and Board relations.

AUSF 000280

Choosing to continue this practice, you faxed your letter, which treats my compensation and related issues in detail, to the general fax machine in my assistant's office while I was out of town. It was first received and read by a general office secretary who was alone in the office, then passed on to another assistant, and eventually delivered to me days later when I returned. It requires little ethical sensitivity and even less professional experience to realize that confidentiality in such matters is a minimal professional expectation, which is easy to assure. You could have obtained my direct, confidential fax number with simple phone call or email to me. Instead, you chose to exacerbate a problem you claim to be avoiding. As a matter of simple professional decency, I would appreciate your communicating directly with me in the future on matters regarding my compensation or any other confidential issues that pertain to me.

You stated in your letter that, "At its November 2004 meeting, the Board did not approve any element of your compensation for the current year (July 1, 2004-June 30, 2005)." This is a fascinating statement—fascinating, but completely false. Nor does the credibility of your claim improve by your report that this is "clearly reflected in the minutes from the meeting," punctuated by your unequivocal assertion that, "This is exactly what occurred." Repeating this one more time — "No decision has been made about any element of your compensation for the current year"—strains rather than enhances credulity.

For whatever reason, the minutes you refer to have not been shared with me, but if you are representing them accurately, you (or someone) may want to correct them. Board Chair George Collins sent a letter to AU's vice president of finance, Mr. Donald Myers, with a copy to me, dated November 28, 2004. I quote from the letter below.

The Board of Trustees has approved FY05 incentive and deferred compensation for President Ladrner as listed below. This letter authorizes you to implement these actions immediately.

Effective Immediately

Incentive Compensation..... \$100,000

Deferred Compensation..... \$115,250

Effective May 1, 2005

Additional Incentive Compensation..... \$107,500

The letter is signed by Mr. Collins.

I assume you will recognize that this Board action with respect to my compensation occurred in precisely the period you are denying any such Board action took place. Moreover, in accord with Mr. Collins' explicit authorization and instructions, which reflect the Board's action, the above-referenced amounts have already been paid to me for the period July 1, 2004 – June 30, 2005, according to the schedule outlined above. Immediately after the November 2004 Board meeting, Mr. Collins also informed me verbally that the Board had taken this action with respect to my annual incentive and deferred compensation, which was confirmed later by his letter, and that the Board would decide on my salary increase for this same period either before or at the February 2005 meeting.

Your fundamental error in this matter unfortunately leads to further confusion when you indicate that the February 2005 meeting was the first time the Board considered any

aspect of my July 1, 2004 – June 30, 2005 compensation. As Mr. Collins' letter makes unmistakably clear, your claim is plainly false.

Then, remarkably, you compound these errors by asserting that, "At the November 2004 meeting, the Board approved your annual incentive payment for July, 2003 - June 30, 2004, in a percentage equal to the incentive bonus that you received for 2002-2003. This decision by the Board has no effect on your compensation for 2004-2005. No decision has been made about any element of your compensation for the current year."

This is an equally fascinating claim and, again, equally and entirely false. Mr. Collins sent a letter to Mr. Myers, with a copy to me, dated November 11, 2003, shortly after the November 2003 Board meeting. I quote from the letter below.

The Board of Trustees has approved an incentive award for President Ladner as listed below. This letter authorizes you to implement this payment immediately.

Prior to November 30, 2003

Incentive Compensation \$100,000

Effective May 1, 2004

Incentive Compensation \$75,000

The letter is signed by Mr. Collins.

Mr. Collins sent another letter to Mr. Myers, with a copy to me, dated February, 2004. I quote from the letter below.

The Board of Trustees has approved the FY04 annual base salary increase, deferred compensation, and additional incentive compensation for President Ladner as listed below—back dated and indexed from July 1, 2003. This letter authorizes you to implement these actions immediately.

Effective July 1, 2003

Annual Base Salary \$461,000

Deferred Compensation \$110,750

Effective May 1, 2004

Additional Incentive compensation \$25,000

Again, the letter is signed by Mr. Collins.

The fact is, Mr. Joseph, there never has been any question about the actions of the Board in these matters, which were taken during these time periods and, as confirmed by Mr. Collins' letters, directly contradict your claims. Furthermore, I have already received the compensation payments authorized by the Board more than a year ago, in accord with the instructions in Mr. Collins' letters. Your recasting of the sequence of events regarding Board decisions about my compensation for July 1, 2003 – June 30, 2004 and July 1, 2004 – June 30, 2005 is totally misguided.

You have also stated that, "At the February [2005] meeting, the Compensation Committee presented to the Board for its approval a proposed compensation package for you, retroactive to July 1, 2004. You requested that the Board defer final consideration of

this proposal until you had the opportunity to respond to the proposal The Board acquiesced to your request." Again, this misrepresentation of facts is seriously misleading.

As demonstrated conclusively above, the Board did act at the November 2004 Board meeting regarding major elements of my compensation for July 1, 2004 - June 30, 2005. These actions were confirmed in Mr. Collins' November 28, 2004 letter authorizing the disbursement of university funds. Ignoring this fact, you now claim that the Board was asked for the first time at its February 2005 meeting to decide on a proposal for my compensation package, "retroactive to July 1, 2004." What exactly was the status of this proposal? Was it presented to the Board as an amendment to the November 2004 Board action, as reported in Mr. Collins' November 28, 2004 letter? Did you even inform the Board at the February 2005 meeting that the newly proposed action was a significant revision of the previous Board action, which approved major elements of my July 1, 2004 - June 30, 2005 compensation? Did you advise the Board that a special action might be appropriate that would explicitly refer to the Board's previous action, and which the new proposal would overturn? Or was the Board not properly informed, believing it was being asked to decide my July 1, 2004 - June 30, 2005 compensation as if for the first time? If that is the case, however you characterize your role in relation to the Board, how do you justify such a misrepresentation? Were you unprepared and uninformed, or was the Board improperly briefed? Did you intend to provide the Board with all the facts at a later date? And what is the status of a Board action when members are not properly briefed? Alternatively, if this is not the case, why have you notified me that the Board considered a proposed compensation package for the first time, "retroactive to July 1, 2004," without this important clarification?

Contrary to your description of discussions in the recent Compensation Committee meeting, I did not ask the Board to "defer final consideration of this proposal until you [I] had the opportunity to respond to the proposal." In fact, the committee informed me of the compensation total it had already decided, which set the limits of my compensation for July 1, 2004 - June 30, 2005, and which was at odds with the decision of the Board at its November 2004 meeting. The committee asked me to decide— at first, immediately, then by April 1, 2005— whether I wanted to rearrange the amounts for any particular component within that already established total.

I assume you will recall saying to me prior to the committee meeting (at least, at the meeting you said you recalled this) that it would be "unfair and irresponsible"— tantamount to an "ambush," you said — for the committee to inform me of its decisions for the first time in the committee meeting the day before the full Board meeting. As you well know, that is exactly what occurred at the February 2005 meeting— and, for that matter, also at the November 2004 meeting. Since the committee had just informed me for the first time of its decision to revise once again the limits of my compensation for July 1, 2004 - June 30, 2005, I did ask whether I might have a little time after the "ambush" to consider whether individual components within the new, limited framework might be differently distributed. This is very different from your description of what occurred.

Continuing to insist that the Board has taken no actions at its last two meetings regarding my compensation for July 1, 2004 - June 30, 2005, you come down hard on "[my] statement that the Board, at its recent meeting, 'approved' a revision to your compensation."

This, you maintain, "is completely inaccurate." You claim that, "The Board made no decisions regarding your compensation at its meeting and will not make a final determination until after you respond to the Compensation Committee's proposal."

Now I am really confused. My compensation total set by the Board at its February 2005 meeting clearly was a revision of the Board's decision at the November 2004 meeting, confirmed in Mr. Collins' November 28, 2004 letter. Furthermore, to say that nothing was "approved" turns out to be a mere quibbling of words, obfuscating rather than illuminating what actually occurred. In fact, Mr. Collins met with me immediately after the February 2005 Board meeting and informed me that, following the committee's recommendation, the Board had— you pick the word, "decided," "approved," "agreed"— that my compensation for the period July 1, 2004 – June 30, 2005 would be a total of \$799,000, and that I should let the committee know of any suggestions I might have for a different distribution of the components of that total amount, which the Board had "decided/approved/agreed." Though it now seems that you failed to inform the Board of the relation of its February 2005 action to its prior action in November 2004, its "action/approval, agreement" at the February 2005 meeting was clearly both a revision of the Board's November 2004 action and a "decision/approval/agreement" to which I was asked by Mr. Collins to respond with suggested adjustments to internal categories by April 1, 2005. Mr. Edward Carr, former Board Chair, was present at this conversation and he— if not Mr. Collins himself— will, I am certain, confirm the accuracy of what I am recounting here.

A few days after the February 2005 Board meeting and my conversation with Mr. Collins and Mr. Carr, I wrote to Mr. Collins, as he and the committee had requested, and suggested that the committee/Board consider an adjustment to certain individual elements of the compensation total approved at the February 2005 meeting, though still within the \$799,000 cap set by the Board. In your letter to me, you quote precisely those amounts from my letter to Mr. Collins, then ask me to, "Please clarify, in writing, whether this is my response to the Compensation Committee. . . ."

Now, I must say, I am not sure how to "clarify" further that the numbers you quote from my letter to Mr. Collins really are the numbers I wrote to him, or how to add further credence to the fact that my written response to him, as Chair of the Compensation Committee, was my written response. You seem to be demanding yet another written response to verify that my response actually was my response. Though I find this odd, I am happy to comply with your request. I hereby affirm, as attested by my signature below on this letter to you, dated March 10, 2005, that the letter dated February 27, 2005, from me to Mr. George Collins, Chair of the Board of Trustees and of the Board Compensation Committee, and quoted by you in your letter to me of March 2, 2005, is actually the letter I wrote to him at his request and in which I suggested that the committee/Board consider altering certain elements within the compensation framework according to the numbers set forth therein, while abiding by the total cap reported to me by Mr. Collins as having been set by the Board at its February 2005 meeting.

Frankly, this exercise seems silly to me. For the past nearly eleven years I have reported to and received direct communication from the Chair of our Board of Trustees, who is Chair of the Compensation Committee, on matters relating to my compensation. Your letter signals a profound change in that relationship that, I admit, made your request

for additional confirmation of my written confirmation confusing. Then I received an email from Mr. Collins on March 8, 2005 in which he notified me that "one-on-one conversations" between him and me will no longer occur, because they "have lead [sic] to misunderstandings and misinterpretations in the past." "In the future," he said, "the Board and the Compensation Committee must deal with compensation matters in a more formal way."

Am I to surmise from your letter and Mr. Collins' email that in the future what I say in writing, even to the Board Chair, will no longer receive consideration unless it has been processed by you? Is there an implied suggestion that I also should retain a lawyer who can speak on my behalf to you as "consultant/counsel/advisor" to the committee and Board? I would appreciate knowing if this is Mr. Collins' and your intent?

As you point out, in a recent letter to Mr. Collins I did note that within the new, compensation framework my annual incentive formula has become little more than a pretense. You claim this is "completely inaccurate." You then go to some lengths to educate me about the meaning and value of compensation incentives and the Board's prerogative to decide their use. As it happens, I am fully aware of the value of incentive formulas, but only when they are used to reflect a considered judgment that relates to actual performance. And, of course, I have always understood that it is entirely the Board's prerogative to determine any aspect of my compensation.

My point, which you missed entirely, is a simple one. For the previous three years, including as recently as the November 2004 Board meeting, the Board has awarded me incentive percentages from 43% to 45%, which, I was told, reflected the Board's assessment of the added value of my performance. By any reasonable, objective measure, my performance this past year exceeded that of any previous year. In fact, I believe it is a defensible claim that I headed a leadership team that led AU to its most successful year in the 110-year history of the university. Therefore, it does ring hollow for you to pretend that reducing my high incentive percentages of the last three years to 13% for this past year is actually tied in some way to my performance; and, moreover, that I should regard this action not only as directly correlated to my performance, but also as a valuable compensation tool that will provide an incentive for me to perform at an even higher level next year.

Contrary to your account, Mr. Collins made clear to me that the overriding considerations of the Board in setting my reduced compensation and not renewing my retention package were a fear of potential intermediate sanctions, indications by many Board members that a "comfort letter" should be required, and a desire to assure that I did not appear in the "top ten" university presidents' compensation list. At any rate, picking the percentage number of 13% for my incentive award was simply a convenience dictated primarily by the pre-determined limit of \$799,000, within which the incentive component had to be made to fit. You know this, the committee knows this, and I know this.

The reason I, at least, know this is simple: you failed to mention the fact that the Board had already made a judgment about the value of my performance relative to my annual incentive when, at its November 2004 Board meeting, it approved a 45% annual incentive award for me for July 1, 2004 - June 30, 2005. The fact that the Board "decided/approved/agreed" at the February 2005 meeting to revise this previously approved

45% incentive— which has already been paid to me— and reduce it to 13%, cannot, on the face of it, be related in any way to a judgment about my actual performance, which the Board had already decided in November 2004 merited a much higher percentage. The arbitrariness of now setting a new and lower percentage number rather than accepting the legitimacy of the previously approved 45% for my annual incentive pay, which reflects the Board's actual evaluation of my performance for this past year, is entirely transparent, however strenuously you seek to pawn it off as a "reward" that is an "incentive" tied to what you claim is an entirely new and revised assessment by the Board of my performance. This, I repeat, is a pretense.

You are correct in reporting that I expressed a concern that in light of the decisions at the February 2005 meeting, I might now be required to repay a portion of the compensation already paid to me in accord with the Board's November 2004 approval of my compensation for the period July 1, 2004 – June 30, 2005. You state that, "Your deferred compensation and maximum potential incentive bonus for July 1, 2004 – June 30, 2005 have not yet been set and these amounts will not be paid to you until after they have been approved by the Board." From the facts presented above, which, admittedly, are at considerable variance with your own claims, you now know that I have already received deferred compensation and annual incentive for this period in the amounts approved by the Board at its November 2004 meeting, and in accord with Mr. Collins' instructions. I can tell you, it is a welcome relief to have you confirm in your letter that, "No such repayment has been requested or suggested." Inasmuch as payments of different and larger amounts than those established at the February 2005 meeting were made to me following the November 28, 2004 authorization, it is obviously an important issue how the W-2 Form, Form 990, and my personal 1040 Form will square with the revised \$799,000 limit established only last month. Nevertheless, it is reassuring to know that you have worked this out so that no repayment from me will be required.

Finally, Mr. Joseph, I was taken aback by the tone of your letter— aggressive, condescending, "in-your-face-these-are-the-facts-take-it-or-leave-it" style— a tone that is all the more striking in a document so thoroughly in error (which also raises questions about the veracity and reliability of other data you have provided the Board). Your closing comment that, "It appears that you are rejecting the Committee's proposal and making a counter-proposal," is a dismaying effort to twist what was an open conversation into a legal confrontation.

In actual fact, as I have said, the committee (and, after the Board meeting, Mr. Collins and Mr. Carr) encouraged me to review the components of the new framework that had already been decided. Curiously, you chose not to mention in your letter that, according to Mr. Collins and Mr. Carr, you have been instructed to identify still other mechanisms for providing additional rewards to me in the future, beyond those that were approved (or decided or agreed upon) by the Board at its February 2005 meeting. Obviously, your success in completing this assignment could have a significant bearing on my own judgment, and perhaps the committee's, in determining appropriate amounts of individual elements within the new compensation framework. At any rate, none of the actual conversations between the committee and me comes close to matching your contrived scenario of "proposal," "rejection," and "counter-proposal."

Actually, I do not expect you to agree with me on these matters, for two reasons. First, you have proceeded on the unexamined assumption that the resolution of AU executive compensation issues is best accomplished by reducing them to narrow legal and financial concerns. Second, a propensity for such a reduction obviously focuses unduly, if not exclusively, upon financial matters in a way that places me in a difficult double-bind. If I raise questions about financial matters, it can be construed (as it has been) as evidence of financial self-interest. On the other hand, to ignore my fiduciary responsibility to the university and Board regarding such issues as the history of our compliance with intermediate sanctions, compensation levels, peer comparisons, university and Board policies, or procedural matters— would jeopardizes not only my own integrity but also the full disclosure of vital information to the Board.

I am well aware that some have advanced the misleading and false notion that my interest in challenging the assumptions, procedures, and decisions of the committee and its consultants is based solely on a desire to increase my compensation. In the process, I have been wrongly accused of collaborating with consultants for personal gain, withholding information on federal disclosure forms, being unfamiliar with IRS regulations, and suddenly losing my capacity to listen, comprehend, or interpret the discussions and actions of the Compensation Committee.

I wish to emphasize, as I have numerous times already with the committee and the Board, that whatever decision the Board makes about the level of my compensation is a decision I am willing to accept. Over the past 18 months, I have commented upon aspects of my compensation package only in response to a direct request from the Board Chair to offer my views, and I presented them in accord with previous and long-standing patterns of communication and trust. If these patterns are now to be changed, so be it. My concern, and it is a real one, is not about the amount of my compensation. It is, instead, that the responses, reports, decisions, and directives I have received have been inconsistent, even uninformed, leaving numerous important questions unanswered— your letter being a prime example. In fact, I am deeply disheartened at the state of disarray that has surrounded the process of reviewing and setting my and my Cabinet's compensation over the past year and a half.

My deepest concerns, however, are rooted in my efforts over several decades to establish and nurture genuine collegiality— and (though increasingly far-fetched) even friendship— as a viable, indispensable, dynamic of modern institutional life and governance. In a university, of course, it is the life-blood of the enterprise.

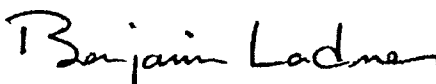
This university— any university— is not primarily a legal, financial, political, or even social institution, despite the ways in which the affairs of these and other sectors inescapably and rightly impinge upon its life and operations. It is not primarily a corporation, even a non-profit one. It is first and foremost an academic community. Determining and adhering to the unique obligations and responsibilities for what that means, including the Board's governance of such a singularly different institutional community, is, in my judgment, profoundly at odds with what has recently been set in motion by the committee and Board, assisted by your recent efforts.

Abandoning the difficult but vital task of aligning even the most complex and arcane operational challenges with the deepest values of an academic community, and shirking the responsibility for assuring that these values resonate into even the tiniest crevasses of an ordinary day, are very serious matters. So serious, in fact, that the increasingly common practice by universities of appealing to the exigencies and demands of other circumstances and institutions with different values and priorities in order to justify such abandonment is a failing that invariably engenders immense, negative, often irreversible, consequences.

Yes, Mr. Joseph, I understand Sarbanes-Oxley; yes, I understand intermediate sanctions; yes, I understand the Board's unique legal responsibilities and prerogatives; and yes, understand the new regulatory environment of increased transparency and accountability in which all institutions are required to operate. But I also understand the corrosive effects of injecting into a collegial atmosphere fear and mistrust fueled by irresponsible misinformation. I understand, too, the familiar dynamics and destructive consequences of what your remarkably inaccurate and misleading letter champions as a *modus operandi* for AU, plumping, as it does, for a radical realignment of its fundamental values and priorities.

The loss of trust and collegiality at this level, to which your letter contributes, diminishes what has become, at least as I have experienced it over the past ten years, a hallmark of the identity of a great university. Not really your concern, I know, but sad nevertheless.

Sincerely,

A handwritten signature in black ink that reads "Benjamin Ladner". The script is fluid and cursive, with the first letter of each word being capitalized and prominent.

Benjamin Ladner
President



James
Joseph/Atty/DC/ArnoldAndPo
rter

04/08/2005 11:23 AM

To xAUBoard

cc [REDACTED]

bcc [REDACTED]

Subject information regarding the Board call on April 12

The Board will have a meeting by conference call on Tuesday, April 12, at 8 am EDT to discuss Dr. Ladner's compensation. Please RSVP if you will be attending the meeting. So far, we have only 10 Board members attending; 11 is a quorum. Attached is the call-in information. Given the sensitivity of the issues we are going to discuss, rather than circulating a call-in code, you will have to go through the operator and identify yourself to be put into the call. Sorry for any inconvenience this may cause.

I will circulate the Compensation Committee's proposal shortly.



A&P_Labrake.Joseph_DialIn_20050412.doc

AUSF 000291

11/29/05
3:21 PM

MULTI-POINT Communications

Reservations: [REDACTED]

Fax: [REDACTED]

Email: [REDACTED]

Arnold & Porter LLP

Arranger: <u>Dixie LaBrake</u>	Conference Day: <u>Tuesday</u>
Phone: <u>[REDACTED]</u>	Conference Date: <u>April 12, 2005</u>
Fax: <u>[REDACTED]</u>	Time/ Zone: <u>8:00 AM / Eastern</u>
Email: <u>[REDACTED]</u>	# of Parties: <u>24</u>
Office /Client: <u>[REDACTED]</u>	Host: <u>Jim Joseph</u>
Reference: <u>AU Board Meeting</u>	Host Phone: <u>Will Dial In</u>
From: <u>Danny Fugate</u>	Duration: <u>1 & 1/2 Hours</u>

<u> </u> Dial Out	<u> X </u> Dial In
	Domestic: <u>[REDACTED]</u>
	International: <u>[REDACTED]</u>

<u> </u> Call Host	<u> </u> First	<u> </u> Last	<u> X </u> Place Direct	<u> X </u> Roll Call
<u> </u> Announce	<u> </u> Late	<u> </u> Q & A	<u> </u> Monitor	
<u> </u> Partic. List	<u> </u> Fax	<u> </u> Email	<u> </u> Music on Hold	
<u> </u> Tape Call	<u> </u> #Copies	<u> </u> Shipping	<u> </u> Overnight	<u> </u> Regular
<u> </u> Transcription	<u> </u> Email	<u> </u> Hard Copy		

Special Instructions
All participants will be dialing in, including the host.
Join participants directly into the conference and then perform a roll call.
Only allow those listed below to access this meeting.
There will be four (4) international participants on this call.

Name	Number	Name	Number
1 Jim Joseph HOST	Will Dial In	15 Tom Gottschalk	Will Dial In
2 Gary Abramson	Will Dial In	16 Leonard Jaskol	Will Dial In
3 Leslie Bains	Will Dial In	17 Margery Kraus	Will Dial In
4 Michael Capellas	Will Dial In	18 Robyn Mathias	Will Dial In
5 David Carmen	Will Dial In	19 John Petty	Will Dial In
6 Edward Carr	Will Dial In	20 Robert Pincus	Will Dial In

AUSF 000292



James
Joseph/Atty/DC/ArnoldAndPo
rter

DC - 1075 202-942-5355

04/08/2005 07:20 PM

To xAUBoard

cc

bcc

Subject Compensation Committee proposal

The Board call is Tuesday, April 12 at 8:00 am EDT. The call-in number is 1-800-357-0498, you need to be connected to the operator and give your name to be connected to the call.

At the meeting on Tuesday, the Board will vote on the following proposal, which is unanimously recommended by the Compensation Committee (George Collins, Leslie Bains and Gary Cohn):

That Dr. Ladner's compensation package be set as follows:

Salary from July 1, 2004-June 30, 2005:	\$500,000
Potential Incentive Compensation (up to 13% of Salary) for services performed from July 1, 2004-June 30, 2005	65,000
Deferred Compensation (25% of Salary) to be deferred in 2005	125,000
Split-dollar premium payable in 2005	<u>109,000</u>
TOTAL	\$799,000

Dr. Ladner, in a February 27, 2005 letter to George Collins, made the following counter-proposal:

Salary:	\$525,000
Incentive Compensation (up to 7.62% of Salary)	40,000
Deferred Compensation (up to 23.81% of Salary)	125,000
Split-dollar	<u>109,000</u>
TOTAL	\$799,000

Just so everyone understands, at the November 2004 Board meeting, the Board awarded Dr. Ladner an incentive performance payment for the July 1, 2003-June 30, 2004 period payable \$100,000 in December 2004 and \$107,500 in May 2005. For the incentive compensation award, each year, a maximum bonus is established. For the last several years, Dr. Ladner's maximum bonus was 45%. After the performance period ends, the Board awards an incentive payment, based on Dr. Ladner's performance over the performance period. Dr. Ladner's actual incentive bonus awards have ranged from approximately 25%-45% for 2000-2004.

The Board is now being asked to vote on Dr. Ladner's maximum potential bonus for the 2004-2005 period, and, after July 1, 2005, you will be asked to make a decision on his final award for 2004-2005 (which will be capped out at the maximum potential award you decide on now).

AUSF 000293

I have attached the call-in information again, and it is listed above. Again, we need as many Board members as possible to participate.



- AU Board Conference Call (026630-1 04_08_2005 11_43_32 AM)_(DC_1359106_1).PDF

AUSF 000294

4/8/05
8:44 AM

MULTI-POINT Communications
Reservations: 800-288-9614
Fax: 877-656-0603
Email: resv@multipointcom.com

Arnold & Porter LLP

Arranger: <u>Dixie LaBrake</u>	Conference Day: <u>Tuesday</u>
Phone: <u>[REDACTED]</u>	Conference Date: <u>April 12, 2005</u>
Fax: <u>[REDACTED]</u>	Time/ Zone: <u>8:00 AM / Eastern</u>
Email: <u>[REDACTED]</u>	# of Parties: <u>24</u>
Office /Client: <u>[REDACTED]</u>	Host: <u>Jim Joseph</u>
Reference: <u>AU Board Meeting</u>	Host Phone: <u>Will Dial In</u>
From: <u>Danny Fugate</u>	Duration: <u>1 & 1/2 Hours</u>

<u> </u> Dial Out	<u>X</u> Dial In
	Domestic: <u>[REDACTED]</u>
	International: <u>[REDACTED]</u>

<u> </u> Call Host	<u> </u> First	<u> </u> Last	<u>X</u> Place Direct	<u>X</u> Roll Call
<u> </u> Announce	<u> </u> Late	<u> </u> Q & A	<u> </u> Monitor	
<u> </u> Partic. List	<u> </u> Fax	<u> </u> Email	<u> </u> Music on Hold	
<u> </u> Tape Call	<u> </u> #Copies	<u> </u> Shipping	<u> </u> Overnight	<u> </u> Regular
<u> </u> Transcription	<u> </u> Email	<u> </u> Hard Copy		

Special Instructions
All participants will be dialing in, including the host.
Join participants directly into the conference and then perform a roll call.
Only allow those listed below to access this meeting.
There will be four (4) international participants on this call.

Name	Number	Name	Number
1 Jim Joseph HOST	Will Dial In	15 Tom Gottschalk	Will Dial In
2 Gary Abramson	Will Dial In	16 Leonard Jaskol	Will Dial In
3 Leslie Bains	Will Dial In	17 Margery Kraus	Will Dial In
4 Michael Capellas	Will Dial In	18 Robyn Mathias	Will Dial In
5 David Carmen	Will Dial In	19 John Petty	Will Dial In
6 Edward Carr	Will Dial In	20 Robert Pincus	Will Dial In
7 Jack Cassell	Will Dial In	21 Matthew Pittinsky	Will Dial In
8 Gary Cohn	Will Dial In	22 Laurence Siegel	Will Dial In
9 George Collins	Will Dial In	23 Jeffrey Sine	Will Dial In
10 Pamela Deese	Will Dial In	24 Paul Wolff	Will Dial In
11 Jerome Del Pino	Will Dial In	25	
12 Faud El-Hibri	Will Dial In	26	
13 Hani Farsi	Will Dial In	27	
14 Michael Forman	Will Dial In	28	

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